

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 160640Z MAY 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7112

INFO AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

S E C R E T JIDDA 2695

EXDIS

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS/ ENRG, SA

SUBJECT: CHURCH/CASE SUBCOMMITTEE CHARGES AGAINST ARAMCO

SUMMARY: RECENT INQUIRY TO THE DEPARTMENT FROM SENATOR CHURCH'S SUBCOMMITTEE STAFF OVER SUPPOSED ARAMCO OVERPRODUCTION AND NEGLIGENCE IN HANDLING SAUDI PETROLEUM FIELDS IS A REPLAY OF SIMILAR CHARGES PICKED UP IN FEBRUARY BY JACKSON SUB-COMMITTEE. YAMANI MAKES POINT THAT THERE IS NO BASIS RPT NO BASIS FOR ANY OF CHARGES AND CITES FACT US PRODUCING MORE THAN SAUDI ARABIA WITH ONLY ONE FOURTH THE KINDOM'S RESERVES. MANY NEW FILEDS ARE BEING DISCOVERED IN SAUDI ARABIA. HOWEVER, RELEASE OF CHURCH/CASE LETTERS WOULD FUEL CHARGES BY SAG ENEMIES ABROAD AND AT HOME THAT THEY ARE SELLING OUT TO THE AMERICANS. END SUMMARY.

1. AMBASSADOR SPOKE THIS MORNING (MAY 15) WITH AHMED ZAKI

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YAMANI, SAUDI MINISTER OF PETROLEUM, ABOUT THE SAME SUBJECT.

HE KNEW OF THE ACCUSATION, SAID THAT IT ORIGINATED WITH JACK ANDERSON WHO HAD DISTORTED THINGS HE HAD SAID IN AN INTERVIEW. HE SAID HE HAD KNOWN OF ANDERSON'S PENCHANT FOR UNTRUTHFULNESS AND HAD TAKEN THE PRECAUTION OF TAPING THE INTERVIEW. THERE CAN BE NO DOUBT, THEREFORE, AS TO WHAT HE HAD SAID TO ANDERSON.

2. YAMANI SAID THAT IN THE MID 1960'S THE MINISTRY OF PETROLEUM HIRED TWO FIRMS, MCCORD AND CORE LABS (BOTH OF TEXAS) TO DO INDEPENDENT STUDIES ON SAUDI RESERVES. IN 1967 THEY FINAISHED THEIR STUDY WHICH SHOWED RECOVEREABLE RESERVES, AT CURRENT LOWER TECHNOLOGY AND PRICES, OF 137 BILLION BARRELS.

3. THE MINISTRY NOW HAS 45 TECHNICALLY QUALIFIED EMPLOYEES, TRAINED IN THE UNITED STATES AND BY THE TWO COMPANIES. THE MINISTRY ALSO HAS COMPLETE ACCESS TO ALL ARAMCO TECHNICAL DATA AND THE MINISTRY HAS NO DOUBT WHATSOEVER THAT THE ACCUSATION IS NONSENSE.

4. HE SAID HE WOULD LIKE TO STOP AT THE POINT AND EXAMINE THE CHURCH/CASE ACCUSATION. THE RESERVES OF THE UNITED STATES EXCLUDING ALASKA (AND USING THE SAME DEFINITIONS) ARE AROUND 36 BILLION BARRELS; THE UNITED STATES IS PRODUCING 10 MILLION BARRELS A DAY; SAUDI ARABIA IS PRODUCING 9 MILLION. IN OTHER WORDS, THE RESERVE/PRODUCTION RATIVO FOR THE UNITED STATES IS ONE-QUARTER THAT OF SAUDI ARABIA. IF YOU WANT TO LOOK FOR OVERPRODUCUTION, HE SAID, LOOK TO YOUR OWN BACKYARD.

5. YAMANI THEN SAID THE SITUATION TODAY IS EVEN BETTER - MUCH BETTER. THERE HAVE BEEN ADDITIONAL DISCOVERIES; RECOVERY TECHNIQUES HAVE IMPROVED AND THE PRICE OF OIL IS MUCH HIGHER. HE HAD NO DOUT THAT A MORE ACCURATE RESERVE FIGURE FOR SAUDI ARABIA WOULD BE 300 BILLION. THEN, TOO, HE SAID THERE WERE DISCOVERED BUT UNDEFINED FIELDS; THERE WAS A DISCOVERY JUST WEST OF WAFRA IN NORTHEAST SAUDI ARABIA LAST MONTH AND THE PROSPECTS FOR ADDITIONAL DISCOVERIES THERE ARE EXCELLENT. BUT THE BEST STRUCTURES, HE THOUGHT, WERE IN THE AREA SOUTH OF RIYADH, ARAMCO'S FUTURE, HE SAID, WOULD BE BASED ENTIRELY ON THE NEW DISCOVERIES IT MAKES. PRESENT RESERVES WILL INCREASINGLY BE TURNED OVER TO THE SAUDIS.

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6. AS FOR THE SPECIFIC ACCUSATIONS; GHAWAR IS NOT RPT NOT OVER-PRODUCING; NO ONE WHO KNOWS ANYTHING ABOUT OIL HAD EVER MADE SUCH A SUGGESTION. ABQAIQ AND BERRI, BOTH PRODUCING LIGHT OIL, VERY LIKELY WILL HAVE THEIR PRODUCTION CUT FROM AROUND 2 MILLION BARRELS/DAY TO ABOUT 1.5 MILLION - NOT BECAUSE OF OVERPRODUCTION OR ANY POSSIBILIITY THAT THE FIELDS ARE BEING DAMAGED, BUT JUST BECAUSE THEY BOTH ARE LIGHT OIK AND SAUDI

ARABIA'S RESERVES OF SUCH OIL ARE MUCH SMALLER THAN OF THE HEAVIER TYPES. HE WANTS ARAMCO TO STRETCH THE LIVES OF THE TWO FIELDS WELL INTO THE NEXT CENTURY.

7. IN DISCUSSIONS MAY 14 IN DHAHRAN, ARAMCO BOARD CHAIRMAN FURNISHED A COPY OF A LETTER REGARDING IDENTICAL CHARGES MADE EARLIER THIS YEAR BY JACKSON SUBCOMMITTEE. HE SAID THAT TEXT OF A LETTER OF REPLY TO JACKSON ON THIS AND OTHER CHARGES (COPY BEING POUCHED) HAD BEEN CLEARED WITH YAMANI. HE SAID RESERVOIR PRESSURES HAVE ALWAYS REMAINED WELL ABOVE BUBBLE POINT AND SAG MONITORS THIS CONSTANTLY. ENTIRE INTERPRETATION BY ANDERSON PLACED ON SOCAL MEMORANDUM WAS ERRONEOUS.

8. THE ONLY PART OF OUR EARLIER COMMUNICATION ON THIS THAT YAMANI DISAGREED WITH WAS THE NEXT TO THE LAST SENTENCE WHERE THE AMBASSADOR SAID HE BELIEVED THE RELEASE OF THE CHURCH/ CASE LETTER WOULD CAUSE LITTLE TROUBLE IN SAUDI ARABIA. YAMANI SAID IT COULD HURT US BADLY. THE ACCUSATION HAD ALREADY HURT HIM; AND IF RESPECTED SENATORS LIKE CHURCH AND CASE GAVE IT SUPPORT, SAUDI ARABIA'S ENEMIES ABROAD WILL CHARGE THAT IT HAS SOLD OUT TO THE AMERICANS, AND THE CONSERVATIONIST AT HOME WILL DEMAND PRODUCTION CUTS.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, US CONGRESSIONAL HEARINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA02695
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740120-0978
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740543/aaaablxe.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2002 by collinp0>; APPROVED <08 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHURCH/CASE SUBCOMMITTEE CHARGES AGAINST ARAMCO SUMMARY: RECENT INQUIRY TO THE DEPARTMENT FROM SENATOR CHURCH'S
TAGS: ENRG, SA, US, (YAMANI, AHMED ZAKI)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005